



County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://ceo.lacounty.gov>

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Chief Executive Officer

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Fifth District

November 25, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**APPROVE SECOND AMENDMENT TO THE AMENDED JOINT POWERS
AGREEMENT WITH THE LOS ANGELES COUNTY SANITATION DISTRICT NO. 2
FOR THE PALOS VERDES LANDFILL GAS-TO-ENERGY FACILITY PHASE II
PROJECT; CERTIFY MITIGATED NEGATIVE DECLARATION; AND
AUTHORIZE FUNDING AGREEMENT
(FOURTH DISTRICT) (3 VOTES)**

SUBJECT

Approve the Joint Powers Agreement Amendment with County Sanitation District No. 2 to provide for the replacement of the Gas-to-Energy Facility at the closed Palos Verdes Landfill and approve the Mitigated Negative Declaration for the proposed project.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as a responsible agency for the replacement of the Palos Verdes Landfill Gas-to-Energy Facility Phase II, consider the Mitigated Negative Declaration prepared and adopted by County Sanitation District No. 2 of Los Angeles County as lead agency, together with any comments received during the public review process; certify that the Board has independently considered and reached its own conclusions regarding the environmental effects of the project as shown in the Mitigated Negative Declaration; adopt the Mitigation Monitoring and Reporting Workplan for the project, finding the Mitigation Monitoring and Reporting Workplan is adequately designed to ensure compliance with the mitigation measures during project implementation.

2. Approve the Second Amendment to the Palos Verdes Landfill Joint Powers Agreement between the County of Los Angeles and the County Sanitation District No. 2 of Los Angeles County (*Board Agreement No. 51599*); and instruct the Chair to execute the amendment to allow the County Sanitation District No. 2 of Los Angeles County to proceed with the Palos Verdes Landfill Gas-to-Energy Facility Phase II Project.
3. Authorize the Chief Executive Officer to execute a funding agreement to transfer funding from the Project and Facility Development Budget to the County Sanitation District No. 2 of Los Angeles County for the County's contribution to the Palos Verdes Landfill Gas-to-Energy Facility Phase II Project.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The purpose of the recommended actions is to allow the replacement of the existing gas-to-energy plant with a more efficient renewable energy facility. Approval of the recommended actions will consider the Mitigated Negative Declaration (MND) previously adopted by County Sanitation District No. 2 (District); amend the First Amendment to the Joint Powers Agreement (JPA) between the County and the District dated February 11, 1986 and subsequently amended December 23, 1998; and authorize a funding agreement for the transfer of a funding contribution to the District that was previously approved by your Board.

The Palos Verdes Landfill is operated by the District on behalf of the County, pursuant to the JPA. The goal of the proposed project is to better manage all landfill gas at the Palos Verdes Landfill, maximize the amount of renewable energy produced from landfill gas, and minimize emissions. These goals will be achieved by installing a fuel cell and microturbines, and redirecting the highest methane containing landfill gas to these clean energy technologies. Power from the fuel cell will be utilized for on-site power needs and power from the microturbines will be sold to Southern California Edison as renewable energy.

The proposed project includes the installation of one 300 kilowatt (KW) fuel cell, up to eight 250 kW microturbines, associated landfill gas compression and treatment equipment, a backup generator, reconfiguration of the above-ground landfill gas collection system, and the use of a low emission flare to combust landfill gas.

Fuel cells are considered a clean technology by environmental regulatory agencies since they produce electricity without combustion. As part of the State's Emerging Renewable Energy Program, the California Energy Commission encourages the installation of fuel cells using renewable fuel sources such as landfill gas. This project would contribute to the statewide effort to derive 20 percent of the State's electricity

from renewable energy sources by 2010. Additionally, this would respond to the surrounding community's desire to minimize flaring and maximize energy production from landfill gas.

The proposed Second Amendment to the JPA provides for the development of the new renewable energy project at the Palos Verdes Landfill. The existing Gas-to-Energy Facility (Phase I) has reached the end of its useful life and is no longer cost-effective to operate. The proposed project replaces the existing Gas-to-Energy Facility (Phase I) with new, clean technology that will better manage all landfill gas and produce approximately 2 megawatts (MW) of renewable electrical energy using landfill gas as a fuel source.

Under the proposed amendment, the District will be responsible for all costs associated with the development and construction of the project and will assume all other financial risks associated with the project, including ongoing operational costs, variances in the quality and quantity of the landfill gases, and changes in market pricing and regulatory requirements. The recommended amendment also includes a contribution of \$3 million from the County approved by your Board in April 2007 to defray a portion of the District's costs to design, install, and construct the proposed project. The District will retain all revenues derived from the proposed project for the operation and maintenance of the project. Any excess revenues will be used for ongoing performance of post-closure maintenance of the landfill site.

The Second Amendment to the Agreement was approved by the District on June 11, 2008 (Attachment A).

FISCAL IMPACT/FINANCING

The estimated total project cost of the proposed Gas-to-Energy project is \$10.4 million including a \$1.35 million rebate from the Public Utilities Commission for using the power for on-site power needs (Self-Generation Incentive Program), for a net project cost of \$9.1 million. The cost of developing, constructing, and operating the proposed project will be borne solely by the District without reimbursement from the County other than the \$3 million County Contribution that was initially funded from the Capital Project/Extraordinary Maintenance Designation.

The recommended funding agreement provides for the payment of \$3 million to the District transferred from the Project and Facility Development Fund Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Under the JPA for the Palos Verdes Landfill, the Sanitation District operates the environmental control systems, including the landfill gas collection system, on behalf of the County of Los Angeles. Landfill gas is a natural byproduct of waste decomposition and is comprised of methane (CH₄), carbon dioxide (CO₂) and trace amounts of other organic compounds. The methane fraction of landfill gas has energy recovery potential as natural gas.

Landfill gas is currently managed by the existing Palos Verdes Landfill Gas-to-Energy Facility (Phase I), where boilers combust landfill gas to produce steam that drives a power-generating turbine. The facility was designed to produce about 13 MW of electricity but currently only produces about 3 MW because of insufficient quantity and declining energy content of the landfill gas. Currently, utility natural gas is required to maintain flame stability because of the low methane content in the landfill gas. Without the addition of natural gas, the landfill gas could not be combusted in the boilers. Consequently, the existing facility has reached the end of its useful life as a renewable energy recovery facility.

The proposed \$3 million funding agreement is necessary to complete a fund transfer from the Project and Facility Development Budget to the County Sanitation District No. 2 of Los Angeles County.

ENVIRONMENTAL DOCUMENTATION

In approving the Second Amendment to the Amended JPA for the Palos Verdes Landfill Site, the County is acting as a responsible agency for the proposed energy recovery project at the Palos Verdes Landfill. The District, as lead agency, has prepared an Initial Study, consulted with the County, and adopted a Mitigated Negative Declaration including a Mitigation Monitoring and Reporting Workplan, for this project on March 26, 2008. Implementation of the actions provided for under the execution of the proposed amendment will not have a significant effect on the environment.

The proposed project would be consistent with the State's goals and implementation plans of reducing greenhouse gas (GHG) emissions. The California Global Warming Act of 2006 (Assembly Bill 32) requires the reduction of GHG emissions to 1990 levels by 2020. The California Air Resources Board (CARB) and the California Integrated Waste Management Board identified the utilization of landfill gas for energy recovery as a needed early action measure to reduce GHG emissions. The Governor's Office of Planning and Research, in conjunction with CalEPA and CARB, issued a technical advisory on June 19, 2008 listing the conversion of landfill gas into energy as an example of GHG reduction measures.


The Palos Verdes Gas-to-Energy Facility Phase II project would support the State's goal of GHG emissions reduction. It installs state-of-the-art, clean technologies that recovers landfill gas to produce renewable energy. The proposed project provides significant GHG benefits as follows:

- Utilizing landfill gas for renewable power production lessens the use of fossil fuel to produce the same power. The annual GHG reduction benefits of the proposed project is equivalent to:
 - Removing 16,677 vehicles from the road
 - Planting 23,765 acres of forest
 - Offsetting the use of 426 railcars of coal
- When South Coast Air Quality Management District (SCAQMD) permits the new renewable energy facility, the old permit that allows for 13 MW of power production will be replaced with a 2 MW permit. This is a significant reduction in both GHG and overall emissions.

CONCLUSION

Please return one adopted copy of this letter and two original Second Amendment to the District and Chief Executive Office, Capital Projects Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:JFS:DL
JSE:DJT:HC:zu

Attachment

c: County Counsel
County Sanitation District No. 2
Department of Public Works

**SECOND AMENDMENT TO
PALOS VERDES LANDFILL JOINT POWERS AGREEMENT**

This Second Amendment to Palos Verdes Landfill Joint Powers Agreement ("Second Amendment") is made and entered into this _____ day of _____, 2008, by and between the County of Los Angeles ("County") and County Sanitation District No. 2 of Los Angeles County ("District") for itself and as agent for and on behalf of County Sanitation Districts Nos. 1, 3, 5, 8, 15, 16, 17, 18, 19, 21, 22, 23, 29 and South Bay Cities Sanitation District of Los Angeles County.

RECITALS

WHEREAS, County and District (collectively, the "Parties") entered into the Palos Verdes Landfill Joint Powers Agreement, dated February 11, 1986, and subsequently entered into an Amendment to Palos Verdes Joint Powers Agreement, dated December 23, 1998 (collectively, the "Agreement, as amended");

WHEREAS, the County, as the owner of the Landfill Site, has the responsibility for post-closure operation and maintenance of the Landfill Site, and is in the process of developing plans for use of the site for parks and recreation purposes;

WHEREAS, the District, as the former operator of the Landfill Site, has the necessary experience and expertise to perform the post-closure operation and maintenance of the Landfill Site, and has been performing post-closure operation and maintenance of the Landfill Site for the County under the terms of the Agreement, as amended;

WHEREAS, the Agreement, as amended, provided, among other things, for the design, construction, operation and maintenance of a landfill gas to energy facility at the Palos Verdes Landfill ("Landfill Site");

WHEREAS, the landfill gas to energy facility constructed pursuant to the terms of the Agreement, as amended, has reached the end of its useful life and is no longer cost-effective to operate;

WHEREAS, the Parties desire to further amend the Agreement, as amended, to provide for further facilities for the generation of electricity from landfill gas produced at the Landfill Site (the "Project");

AGREEMENT

NOW THEREFORE, County and District agree as follows:

A. Description of Project

The Project shall consist of energy recovery facilities that will convert landfill gas into energy. The facilities will comply with all applicable statutes and regulations. The project may include fuel cells, microturbines, or similar equipment.

B. Operation of Existing Gas to Energy Facility

Upon startup of construction the Project, the District will cease operation of the existing gas to energy facility.

C. Cost of Project

1. *Design, Installation, and Construction Costs*

The District agrees to design, install, and construct the Project at the District's sole cost and expense without reimbursement from the County other than the agreed County Contribution provided for in Subsection 3 below.

The District shall comply with all applicable environmental statutes and regulations including the California Environmental Quality Act ("CEQA"), Public Resources Code Section 21000, *et seq.* and the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, Section 15000 *et. seq.* for the Project.

The District shall be responsible for obtaining and maintaining all necessary permits and approvals for construction, operation and maintenance of the Project at the District's sole cost and expense.

2. *Operation and Maintenance Costs*

The District agrees to operate and maintain the Project at the District's sole cost and without reimbursement from the County.

3. *County Contribution*

The County agrees to pay to the District the sum of three million dollars (\$3,000,000.00) ("County Contribution") to defray a portion of the District's costs to design, install, and construct the Project. The County shall pay the County Contribution to the District within 30 days or receipt of written notice from the District of the commencement of construction of the Project.

D. Project Revenues

All revenues from the project, including revenues from the sale of electrical energy, shall be paid to the District. The District agrees to use all such revenues for the operation and maintenance of the Project. Any excess revenues shall be used to provide facilities and operations necessary for the present and ongoing performance of post-closure maintenance of the Landfill Site. The District's Chief Engineer and General Manager ("Chief Engineer") shall have the sole discretion to determine which post-closure facilities and operations will be funded by net project revenues.

E. Landfill Gas

In accordance with Article 3 of the Agreement, as amended, the Chief Engineer shall have the sole and exclusive right to determine the extent to which landfill gas generated at the Landfill Site will be diverted to the Project.

F. Authority of Chief Engineer

The Chief Engineer is authorized to act on behalf of the District in carrying out the Project and this Second Amendment, and is further authorized to take such action or to refuse to take such action in connection with the Project as he or she determines to be appropriate.

G. Change in Circumstances

The Parties agree that many of the provisions of the Agreement, as amended, are obsolete and inapplicable due to changes in technology and the potential long term uses of the Landfill Site. Discussion is also needed for the effective reimbursement of the District's post-closure operation and maintenance costs. Prior to the termination of this Agreement, the Parties agree to meet in good faith in an effort to reach agreement on the future use and management of the Landfill Site. The Parties agree that the terms of this Second Amendment would be subject to modification as a part of their further negotiations concerning the Landfill Site.

H. Term

The term of the Agreement, as amended, is extended until such time as the Chief Engineer notifies the County in writing that landfill gas can no longer be produced at the Landfill Site in quantities sufficient to justify, in the Chief Engineer's sole discretion, the cost of operating and maintaining the Project, or until January 1, 2018, whichever first occurs.

In the event that construction of the Project does not commence on or before January 1, 2013, the County, at its sole discretion, shall have the right to

immediately terminate this Second Amendment or to renegotiate the amount of payment provided for under subsection 3 below.

J. Indemnification

In addition to and without interfering with or in any way limiting the Parties' existing obligations under Section 15 of the Agreement, and notwithstanding the provisions of Government Code Section 895, *et seq.*, the District shall defend, indemnify, and hold the County, its officers, officials, supervisors, employees, agents, and special districts harmless from any claims, expenses, losses, or damages, including expert witness and attorney's fees, arising out of the design, construction, operation, and/or maintenance (or lack thereof) of the Project, including, without limitation, in connection with any violation or alleged violation of any permit, regulation, or approval relating to the design, construction, operation, and or maintenance of the Project, and/or in regard to the Project only, pursuant to or under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 USC 9601, *et seq.*, the California Carpenter-Presley-Tanner Hazardous Substance Account Act, Health and Safety Code Section 25300, *et seq.*, California Civil Code Section 851, *et seq.*, and all federal, state and local environmental and other laws affecting or relating to the Project. .

Except as otherwise herein provided, all of the terms and conditions of the Agreement, as amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Second Amendment as of the date and year first above written.

ATTEST

COUNTY SANITATION DISTRICT
NO. 2 OF LOS ANGELES COUNTY

By: Kimberly S. Compton
Secretary to the Board

By: Leonard C. Malburg
Chairperson

JUN 11 2008

APPROVED AS TO FORM:

LEWIS BRISBOIS BISGAARD &
SMITH LLP

By: Daniel W. Ayala
District Counsel

ATTEST:
SACHI HAMAI

COUNTY OF LOS ANGELES

By: *[Signature]*

Deputy

MAR 24 2009

By: *[Signature]*

DON KNABE
CHAIRMAN, BOARD OF SUPERVISORS

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: *[Signature]*

Deputy



I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made,

SACHI A. HAMAI
Executive Officer
Clerk of the Board of Supervisors

By: *[Signature]*

Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

22

NOV 25 2008

[Signature]
SACHI A. HAMAI
EXECUTIVE OFFICER

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SUPPLEMENT 2